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June 21, 2002

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552

Attention: Docket No. 2002-17

To Whom it May Concern:

The Maryland Center for Community Development (MCCD) strongly supports the proposed changes to the Office of Thrift Supervision's regulations implementing the Alternative Mortgage Transaction Parity Act. MCCD has been involved in combating predatory lending for several years, and we have repeatedly seen instances in which unscrupulous lending institutions have used prepayment penalties to trap borrowers in abusive loans. Borrowers have also faced stiff late fees associated with abusive loans. It is unfortunate that the current AMTPA regulations have facilitated the proliferation of prepayment penalties and late fees in predatory loans -- we had hoped and believed that federal policy was designed to help people, not help corporations make money by abusing people.

We believe that as it is currently written AMTPA has outlived its usefulness, and is resulting in harm to minority and low-income borrowers who use subprime lenders. According to NCRRC research, non-depository institutions and mortgage companies that were state-chartered applied prepayment penalties at such a high rate that the great majority of subprime borrowers (over 80%) now have prepayment penalties. In contrast, only 2 percent of prime borrowers have prepayment penalties on their loans, according to Standard and Poor's. This huge difference in the application of prepayment penalties suggests that prepayment penalties trap subprime borrowers into abusive loans, and that subprime borrowers do not freely accept prepayment penalties as a means of lowering their interest rates.

MCCD has received calls from individual borrowers who have been victimized by lenders who they trusted and should not have. We also know that Baltimore's 4-time increase in the foreclosure rate is not unique -- we are hearing of large increases in Hagerstown and Cumberland, and in Prince Georges' County. And, our housing counseling agencies are telling us that these are occurring because people got into bad loans that never should have been written, not because of life situation changes that make the loan now unaffordable to that one family.

1118 Light Street
Baltimore, Maryland 21230
410-752-6223 (752-MCCD)
1-800-949-6223
Fax: 410-752-1158

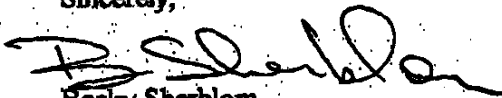
The OTS correctly notes in its proposal that prepayment penalties and late fees are not integral elements of alternative mortgages. The OTS also reports that all states but one now allow ARMs, meaning that AMTPA is no longer needed. Instead, predatory lenders are using AMTPA and the existing OTS regulations to evade state law on alternative mortgages and prey upon unsuspecting and vulnerable borrowers. For this reason, and having watched the negative impact that these lenders are having on Maryland's neighborhoods, MCCD can not emphasize enough how urgent it is to remove AMTPA's preemption of state limits regarding prepayment penalties and late fees on alternative mortgages.

We are only sorry that OTS did not make their proposal stronger. We believe that the OTS should have used its discretion to prescribe general limits on loan terms and conditions. It would not have been unreasonable in our mind for OTS to adopt a two-year limitation on prepayment penalties for the alternative mortgages issued by all institutions it regulates, including federally chartered thrifts, state-chartered thrifts and non-depository institutions. The limitation could also stipulate the maximum amount of the prepayment penalty at one percent of the loan amount. It is unconscionable that currently victims of predatory lending are confronted with paying as much as 5 percent or higher of the loan amount as a prepayment penalty.

We definitely urge the OTS to resist all calls to weaken its proposed regulatory changes. If you are unsure about the rightness of this proposal, come to Baltimore and we will walk you through some neighborhoods and introduce you to families impacted by what is currently being allowed.

We applaud OTS for proposing this change to the AMTPA regulations and ask that OTS implement this change as quickly as possible after the close of the public comment period.

Sincerely,



Becky Sherblom
Executive Director
Maryland Center for Community
Development
1118 Light Street
Baltimore, MD 21230
410-752-6223 (voice)
410-752-1158 (fax)
beckys@mccd.org
www.mccd.org